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# EAGLE-PICHER INDUSTRIES, INC

ANNUAL REPORT — 1966

40117633



SUPERFUND RECORDS

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**ANNUAL REPORT**

**FOR THE**

**FISCAL YEAR ENDED NOVEMBER 30 1966**



**EAGLE PICHER INDUSTRIES, INC**  
**CINCINNATI OHIO**

## EAGLE PITCHER INDUSTRIES, INC

### TO OUR SHAREHOLDERS

Sales and earnings continued their upward trend and reached all time highs in the fiscal year ended November 30 1966 This was the fifth consecutive year of improvement

Net income amounted to \$7 358 431 equivalent to \$3 51 per share of common stock compared with \$5 777 783 or \$2 66 per share for the preceding year Net income per share in the past five years has grown at a compounded annual rate of about 22% from \$1 30 per share earned in 1961

The dividend rate on the common stock was increased to \$1 40 per annum in June from the \$1 20 rate previously in effect

The Company's financial position at the year end was strong and liquid Working capital net fixed assets and net worth were at record levels

### SALES

Net sales for the year ended November 30 1966 were \$170 913 863 compared with \$164 155 507 for the previous year an increase of 4 1% The increase was rather evenly distributed throughout the Company

### EARNINGS

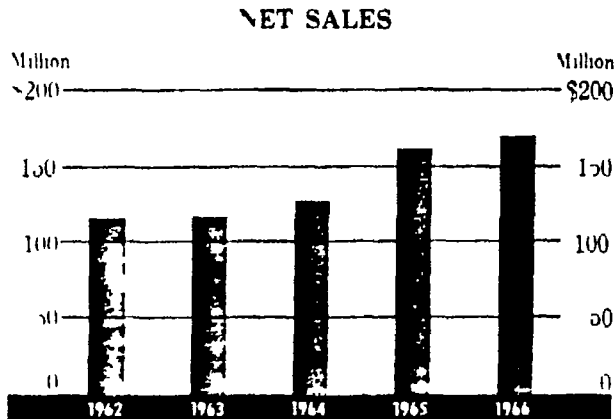
Net income for 1966 amounted to \$7 358 431 equivalent to \$3 51 per share of common stock compared with \$5 777 783 or \$2 66 per share for 1965 Per share earnings in 1966 were 32% above those in 1965 and approximately 170% higher than five years earlier

Profit margins continued to rise in 1966 and showed a material improvement over 1965 This

### THE FIVE YEARS 1962-1966

YEAR ENDED NOVEMBER 30	NET SALES	NET INCOME BEFORE TAXES	NET INCOME	NET INCOME PER SHARE
1962	\$116 005 658	\$ 6 744 074	\$3 444 074	\$1 70
1963	116 183 896	6 690 826	3 575 826	1 77
1964	130 674 203	7 611 088	4 311 088	2 11
1965	164 155 507	9 677 783	5 777 783	2 66
1966	170 913 863	12 358 431	7 358 431	3 51

was due in a large degree to our policy of placing special sales effort on product lines which allow us better profit margins to better efficiencies in production and to the introduction of new products



For a number of years we have been dedicated to the philosophy that to attract and keep the caliber of people we wanted in the organization we must be a growth company and that the only real measurement of growth is earnings per share. We see no advantage in increasing sales and or total net income unless they are accompanied by a growth in net earnings per share. And we are confident that the majority of our stockholders share this view.

During this period we have also adhered strictly to the philosophy that this growth could come either internally or from acquisitions or both so long as it was sound for the long range. Our entire expansion has been effected in the field of manufactured industrial products — i.e. products which are sold to other manufacturers. Today we have nine divisions, some of which have originated within the Company and some of which have come through acquisition but all are in the same general type of business. As a result we have a very homogeneous group with similar problems and objectives.

Generation of cash continues at a high and rising level. Cash flow is the sum of net income provision for depreciation and depletion and deferred Federal taxes. It amounted to \$12,225,919 equivalent to \$5.95 per share in 1966. It was

\$10,079,248 or \$4.77 per share and \$8,282,636 or \$4.11 per share in 1965 and 1964 respectively.

## BALANCE SHEET

Shareholders' net worth at November 30, 1966 was \$59,860,114 equivalent to \$26.16 per common share compared with \$57,732,159 or \$24.25 per share at November 30, 1965.

Current assets at November 30, 1966 including \$16,673,632 cash and marketable securities aggregated \$61,344,506 against current liabilities of \$20,596,468 a ratio of 3 to 1.

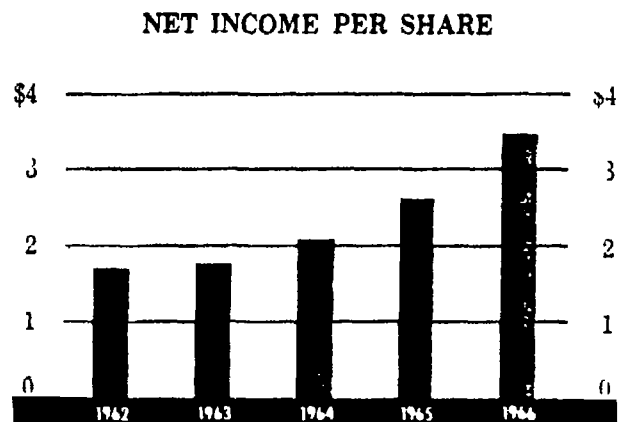
Net fixed assets at the 1966 year end totaled \$40,751,968 an increase of \$2,812,077 over the corresponding figure of \$37,939,891 a year earlier.

Long term debt was increased by \$4,500,000 to \$22,000,000 at November 30, 1966. The \$1,000,000 installment due in 1967 is classified as a current liability. In June 1966 the Company borrowed \$5,000,000 by issuing additional 4<sup>7</sup>/<sub>8</sub>% notes due 1984.

Deferred Federal Taxes on income increased \$400,000 during the year to \$3,200,000 at November 30, 1966.

## DIVIDENDS

The quarterly dividend rate on the common stock was increased to 35 cents per share in June.



from the 30 cents previously paid. This established a \$1.40 annual rate and made 1966 payments of \$1.35 per share compared with \$1.20 per share in 1965.

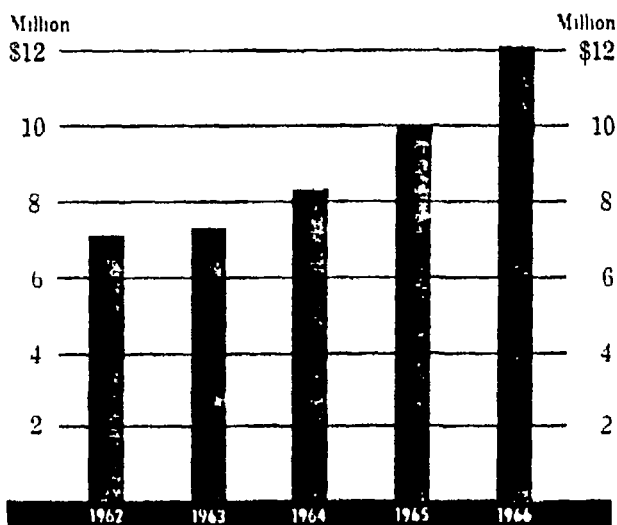
Dividends have now been paid in each of the last 31 years and for 107 consecutive quarters.

## GENERAL

In March, shareholders approved a change in the Company's name from The Eagle Picher Company to Eagle Picher Industries, Inc., which conveys a better concept of our broadened and diversified activities. There are few major industries in the United States which we do not serve.

On December 1, 1966, Lusterlite Corporation became a new division of the Company. Formerly the Steel Buildings Department of Chicago Vitreous Corporation, this division fabricates steel and erects porcelain-enameled gasoline service stations for major oil companies.

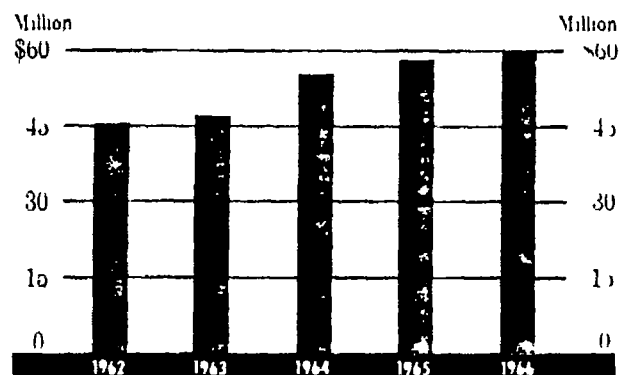
## CASH FLOW



As previously stated, the Company's nine operating divisions are homogeneous, having the same general problems and needing the same talents. There are many common denominators and the only principal variation between them found in most companies lies in raw materials used and the manufacturing processes. In no sense are the divisions or their activities dissimilar.

During the year we made a substantial addition to our Paris, Illinois plant and erected a new frit plant at Urbana, Ohio. We also started a small operation in Seneca, Missouri and made minor additions at a number of other locations. Today we have 43 plants in 14 states, Canada and West Germany.

## NET WORTH



## OUTLOOK

Each year there seem to be more problems and more uncertainties as we enter the new year. Nevertheless, we anticipate that 1967 will be another good year for the economy in general and for Eagle Picher as well, since we do business with such a broad section of American industry.

We have developed a capable, hard hitting, hard working organization with unusual abilities. And we shall continue to maintain a homogeneous company operated by semi-autonomous divisions which we believe is essential for maximum efficiency and continued growth in earnings per share.

*Spencer Shore*

President

Cincinnati, Ohio  
January 25, 1967

## EAGLE PITCHER INDUSTRIES, I

## CONSOLIDATED BALANCE SHEET

ASSETS		
	1966	1965
CURRENT ASSETS		
Cash	\$ 11 935 767	\$13 236 897
Marketable securities — at cost which approximates market	4 737 865	—
Accounts and notes receivable less allowance for doubtful accounts	20 282 489	20 262 211
Inventories	23 858 916	23 158 349
Prepaid expenses	529 469	539 098
Total Current Assets	<u>61 344 506</u>	<u>57 196 555</u>
INVESTMENTS AT COST AND ADVANCES	1 742 039	1 662 873
PROPERTY PLANT AND EQUIPMENT — at cost less allowance for depreciation and depletion \$55 939 974 and \$53 229 904	40 751 968	37 939 891
DEFERRED CHARGES	1 405 583	1 322 496
PATENTS less amortization	419 877	576 066
COST IN EXCESS OF BOOK VALUE OF ASSETS ACQUIRED	<u>1 300 000</u>	<u>1 300 000</u>
	<u>\$106,963 973</u>	<u>\$99 997 881</u>

See notes to 1

# AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30 1966 AND 1965

## LIABILITIES

	1966	1965
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10 664 728	\$10 003 589
Dividends payable	784 048	707 796
Accrued liabilities	5 512 479	4 865 120
Federal taxes on income	2 635 213	4 132 196
Long term debt — current portion	1 000 000	1 000 000
Total Current Liabilities	20 596 468	20 708 701
 LONG TERM DEBT less current portion	 22 000 000	 17 500 000
 RESERVS FOR SELF INSURANCE	 1 307 391	 1 257 021
 DEFERRED FEDERAL TAXES ON INCOME	 3,200 000	 2 800 000
 <b>SHAREHOLDERS EQUITY</b>		
Cumulative serial preference stock — no par authorized 750 000 shares issued 229 133 and 250,000 shares \$1 40 convertible Series A	7 561 389	8 250 000
Common stock — \$5 par authorized 3 000 000 shares issued 2 067 654 shares	10 338 270	10 338 270
Capital surplus	1 498 512	1 491 760
Retained earnings	42 547 137	38 401 574
	61 945 308	58 481 604
Less Common stock held in treasury 68 682 and 27 332 shares at cost	2 085 194	749 445
Total shareholders equity	59 860 114	57 732 159
	<u>\$106 963 973</u>	<u>\$99 997 881</u>

ncial statements

# EAGLE PICHER INDUSTRIES, INC., AND DOMESTIC SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED NOVEMBER 30 1966 AND 1965

	<u>1966</u>	<u>1965</u>
INCOME		
Net sales	\$170 913 863	\$164 155 507
Other income	<u>533 097</u>	<u>175 374</u>
	<u>171 446 960</u>	<u>164 330 881</u>
COSTS AND EXPENSES		
Manufacturing and production costs	139 652 250	135 758 261
Selling and administrative expenses	14 369 136	14 282 820
Depreciation and depletion	4 467 488	4 001 465
Taxes on income	5 000 000	3 900 000
Interest net	<u>599 655</u>	<u>610 552</u>
	<u>164 088 529</u>	<u>158 553 098</u>
NET INCOME	<u>\$ 7 358 431</u>	<u>\$ 5 777 783</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED NOVEMBER 30 1966

Balance November 30 1965	\$38 401 574
Net income	<u>7 358 431</u>
	<u>45 760 005</u>
Dividends	
Preference stock	334 746
Common stock	<u>2 718 430</u>
	<u>3 053 176</u>
Other charges net	<u>159 692</u>
	<u>3 212 868</u>
Balance November 30 1966	<u>\$42 547 137</u>

*See notes to financial statements*



# EAGLE PICHER INDUSTRIES, INC., AND DOMESTIC SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1966

In 1965 the company acquired all of the common stock of The Premier Rubber Manufacturing Company in exchange for its common stock held in the treasury. The cost of the treasury stock in excess of the stated value of the common stock of Premier Rubber was charged to capital surplus in 1965. In the accompanying financial statements such excess has been retroactively charged in part to capital surplus and in part to retained earnings.

A provision for estimated loss on the disposition of certain plant facilities has been provided net of income taxes by a charge to retained earnings. This provision was partially offset by an adjustment of the recorded value of certain fixed assets to conform to their tax basis. The net effect is shown in the consolidated statement of retained earnings.

Inventories are stated at the lower of cost or market with the exception of certain quantities of lead and zinc valued under the base stock method at fixed prices which are lower than cost or market.

There are outstanding \$8 000 000 of  $3\frac{3}{4}\%$  notes due July 15, 1974 and \$15 000 000 of  $4\frac{7}{8}\%$  notes due July 15, 1984. The  $3\frac{3}{4}\%$  notes are being

repaid in annual installments of \$1 000 000 to maturity. The  $4\frac{7}{8}\%$  notes will be payable in annual installments of \$1 250 000 commencing in 1975 with the balance of \$3 750 000 due at maturity.

The notes contain provisions which restrict the amount that may be declared as cash dividends on common stock. Approximately \$12 500 000 of the retained earnings at November 30, 1966 in addition to all future earnings are free of such restrictions.

Each share of Series A preference stock is convertible at any time into 1  $\frac{1}{10}$  shares of the company's common stock. The issue may not be redeemed by the company prior to June 15, 1969. From that date to June 15, 1974 it may be redeemed at \$36 per share and \$33 per share thereafter.

Under a stock option plan approved by the shareholders there are options outstanding at November 30, 1966 to purchase 52 800 shares of common stock at prices varying from \$21 to \$29.375 per share. Options for an additional 45 000 shares may be granted in the future.

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### ACCOUNTANTS' REPORT

PEAT MARWICK, MITCHELL & CO

*Certified Public Accountants*

CINCINNATI, OHIO

THE BOARD OF DIRECTORS  
EAGLE PICHER INDUSTRIES, INC.

We have examined the consolidated balance sheet of Eagle Picher Industries, Inc. and its domestic subsidiaries as of November 30, 1966 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

January 23, 1967

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings present fairly the financial position of Eagle Picher Industries, Inc. and its domestic subsidiaries at November 30, 1966 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT MARWICK, MITCHELL & CO

# FIVE YEAR SUMMARY

## SOURCE AND APPLICATION OF FUNDS FOR THE FISCAL YEARS 1962-1966

SOURCE		APPLICATION	
Net Income	\$24 467 202	Dividends Paid	\$13 454 582
Depreciation and Depletion	17 443 155	Capital Expenditures	32 806,378
Issuance of Preference Stock	7 561 389	Increase in Working Capital	12 482 561
Increase in Long Term Debt	10 000 000	Increase in Other Assets	2 194 382
Deferred Federal Income Taxes	3 200 000	Miscellaneous	1 733 843
	<u>\$62 671 746</u>		<u>\$62 671 746</u>

## SUMMARY OF INCOME STATEMENTS

YEARS ENDED NOVEMBER 30	1966	1965	1964	1963	1962
Net Sales	\$170 913 863	\$164 155 507	\$130 674 203	\$116 183 896	\$116 005 658
Depreciation and Depletion	4 467 488	4 001 465	3 271 548	2 878 079	2 824 575
Income Before Federal Taxes	12 358 431	9 677 783	7 611 088	6 690 826	6 744 074
Net Income	7 358 431	5 777 783	4 311 088	3 575 826	3 444 074
Net Income Per Share	3 51	2 66	2 11	1 77	1 70
Dividend Per Share	1 35	1 20	1 20	1 20	1 20

## SUMMARY OF BALANCE SHEETS

AS AT NOVEMBER 30	1966	1965	1964	1963	1962
Cash & Marketable Securities	\$ 16 673 632	\$ 13 236 897	\$ 13 291 788	\$ 8 038 066	\$ 5 479 259
Working Capital	40 748 038	36 487 854	37 378 111	32 029 849	29 729 921
Property Plant & Equipment net	40 751 968	37 939 891	35 778 092	24 587 132	25 461 218
Long Term Debt	22 000 000	17 500 000	18 500 000	10 000 000	11 000 000
Net Worth	59 860 114	57 732 159	55 771 052	46 809 350	45 870 682
Net Worth Per Share	26 16	24 25	23 97	23 16	22 62

# PRINCIPAL PRODUCTS AND PROPERTIES

**PRINCIPAL PRODUCTS** — Tire molds airbag molds and bladder molds  
★ Collapsible tire building drums — auto and radial ★ Tire building and rubber processing machinery ★ Tire testing machinery ★ Mechanical rubber and fiberglass molds ★ Steel castings ★ Iron castings ★ Precision aluminum castings and retreading equipment ★ Fabric processing equipment — prep and calender lines

**PLANTS** AKRON GREENWICH BARBERTON AND CLEVELAND OHIO  
STOLFFVILLE ONTARIO CHAM W GERMANY

## THE AKRON STANDARD MOLD COMPANY

**PRINCIPAL PRODUCTS** — Zinc and lead oxides and chemicals ★ Slab zinc ★ Cadmium ★ Chat ★ Agricultural chemicals and fertilizer additives ★ Copper concentrates

**PLANTS AND MINES** *Plants* JOPLIN MISSOURI GALENA AND HILLSBORO ILLINOIS CALENA KANSAS COMMERCE CRETA AND HENRYETTA OKLAHOMA LINDEN AND SHILLSBURG WISCONSIN *Mines* OKLAHOMA ILLINOIS WISCONSIN KENTUCKY

## CHEMICALS AND METALS DIVISION

**PRINCIPAL PRODUCTS** — Porcelain enamel frits for major home appliances plumbing ware lighting fixtures architectural paneling out door signs and other products requiring protective and/or decorative finishes

**PLANTS** CICERO ILLINOIS URBANA OHIO INGERSOLL ONTARIO

## CHICAGO VITREOUS CORPORATION

**PRINCIPAL PRODUCTS** — Industrial and manufacturers wire ★ Concrete reinforcing wire products ★ Chain link fence fabric ★ High carbon wire ★ Baling wire ★ Building wire products ★ Merchant wire products

**PLANTS** LOS ANGELES AND HAYWARD CALIFORNIA SEATTLE WASHINGTON

## DAVIS WIRE CORPORATION

**PRINCIPAL PRODUCTS** — Special purpose electric power supplies ★ Electronic test instruments and component modules ★ Germanium gallium boron and various electronic metals and compounds ★ Electronic connectors ★ Precision metal products ★ Railroad electrical equipment ★ Fire and emergency call boxes

**PLANTS** JOPLIN AND SENECA MISSOURI MIAMI AND QUAPAW OKLAHOMA SOCORRO NEW MEXICO INGLEWOOD CALIFORNIA

## ELECTRONICS DIVISION

**PRINCIPAL PRODUCTS** — Flexible packaging materials ★ Automotive parts such as door trim panels trunk liners insulating mats and composite trim parts ★ Molded plastic parts ★ Lamin Art hi pressure laminates ★ Custom impregnated papers and textiles

**PLANTS** RIVER ROUGE MICHIGAN PHILADELPHIA PENNSYLVANIA LOS ANGELES CALIFORNIA GRABILL INDIANA

## FABRICON PRODUCTS

**PRINCIPAL PRODUCTS** — High temperature insulating blocks boards cements laminates blankets felts and pipe covering ★ Superglas high temperature inorganic fibers gaskets combustion chamber liners sheets and molded fiber parts ★ Diatomaceous earth filter aids aggregates absorbents catalyst supports insecticide carriers fertilizer conditioners paint fillers paper fillers soil conditioners

**PLANTS** CLARK AND COLADO NEVADA JOPLIN MISSOURI

## FIBERS AND MINERALS DIVISION

**PRINCIPAL PRODUCTS** — Pre-engineered all porcelain enameled gaso line service stations

**PLANTS** CICERO AND PARIS ILLINOIS

## LUSTERLITE CORPORATION

**PRINCIPAL PRODUCTS** — Custom engineered and precision products of natural and synthetic rubbers silicones and polyurethanes ★ Seals ★ Industrial and agricultural semipneumatic tires hard and soft tread tires and wheels ★ Flexible hose ★ Automotive floor covering ★ Energy absorbing devices of molded rubber to metal

**PLANTS** THE OHIO RUBBER COMPANY — WILLOUGHBY OHIO CONNEALT VILLE PENNSYLVANIA STRATFORD CONNECTICUT THE PREMIER RUBBER MANUFACTURING COMPANY — DAYTON OHIO

## RUBBER PRODUCTS DIVISION

# EAGLE PITCHER INDUSTRIES, INC

## DIRECTORS

WILLIAM D ATTEBERRY

DAVID M FORKER JR

ALBERT E HEEKIN JR

CARL F HERTENSTEIN

DANIEL W LEBLOND

STANLEY R MILLER

HAROLD F NUNN

ARTHUR W SCHUBERT

RICHARD SERVISS

T SPENCER SHORE

GEORGE A SPIVA

WALTER P VOTH

WILLIAM H ZIMMER

## OFFICERS

T SPENCER SHORE  
PRESIDENT

WILLIAM D ATTEBERRY  
EXECUTIVE VICE PRESIDENT

HAROLD F NUNN  
EXECUTIVE VICE PRESIDENT

DONALD R CARTER  
VICE PRESIDENT

RICHARD SERVISS  
SECRETARY AND GENERAL COUNSEL

MELVIN F CHUBB  
VICE PRESIDENT

WALTER P VOTH  
VICE PRESIDENT

JOHN C HEISLER  
VICE PRESIDENT AND TREASURER

JAMES L WALKER  
VICE PRESIDENT

JEFFERSON W HUDSON  
VICE PRESIDENT

HAROLD E ANDERSON  
COMPTROLLER

LEROY A JOHNSON  
VICE PRESIDENT

CHARLES S DAUTEL  
ASSISTANT SECRETARY

PHILIP D McMANUS  
VICE PRESIDENT

CORBIN E SHOUSE  
ASSISTANT SECRETARY

ARTHUR C ZIMMERMAN  
ASSISTANT SECRETARY

TRANSFER AGENTS Morgan Guaranty Trust Company of New York  
The Central Trust Company, Cincinnati

REGISTRARS The Chase Manhattan Bank New York  
The Fifth Third Union Trust Company, Cincinnati